

## Message Text

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ACTION EUR-08

INFO OCT-01 ARA-10 EA-06 ISO-00 H-03 NSC-06 SS-15  
AID-01 /050 W

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R 191612Z JAN 78  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC 6914  
INFO AMEMBASSY BELGRADE  
AMEMBASSY BERLIN  
USMISSION BERLIN  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
USINT HAVANA  
USMISSION USNATO  
AMEMBASSY PRAGUE  
AMEMBASSY SOFIA  
AMEMBASSY WARSAW  
AMEMBASSY TOKYO  
AMEMBASSY PARIS  
USDOC WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 0937

USOECD

USDOC FOR BEWT

E.O. 11652: GDS  
TAGS: ENRG, EEWT, UR  
SUBJECT:CODEL STEVENSON: CALL ON MINISTER OF GAS ORUDZHEV

REF: MOSCOW 866

SUMMARY: FOLLOWING BASED ON UNCLEARED MEMORANDUM OF CONVERSATION,  
WHICH WILL BE POUCHED TO SENATOR STEVENSON.  
DURING CALL BY SENATOR STEVENSON JANUARY 16, SOVIET MINISTER OF THE  
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GAS INDUSTRY SABIT ORUDZHEV STATED THAT SOVIET NATURAL GAS  
PRODUCTION IN 1977 WAS 346 BILLION CUBIC METERS (BCM). HE  
FORECAST AN OUTPUT OF 435 BCM FOR 1980 AND SAID ESTIMATES OF  
700 TO 800 BCM FOR PRODCUTION IN "1990'S" WERE REALISTIC.  
RESPONDING TO QUESTIONS, ORUDZHEV SAID THAT NORTH STAR  
PROJECT HAD "LOST TEMPO" AND INDICATED THAT PROBLEM AT  
YAKUTSK - WHICH HE SAID IS STILL UNDER MINISTRY OF

GEOLOGY - IS TO FIND TWO OR THREE TRILLION CUBIC METERS OR TO LOCATE AS MUCH AS 800 BCM IN ONE COMPACT GAS FIELD. WIDELY SCATTERED FIELDS OF 125 BCM HAVE BEEN LOCATED TO DATE. ORUDZHEV DESCRIBED DOMESTIC USE OF NATURAL GAS AS WASTEFUL AND SAID USSR OBVIOUSLY CANNOT GO ON AS AT PRESENT. GAS SHOULD BE USED FOR PRODUCTION, NOT HEATING, IN HIS VIEW. HE FELT THAT NEW DISCOVERIES OF OIL WOULD BE CRITICAL TO QUESTION OF WHETHER USSR WOULD REMAIN AN EXPORTER. END SUMMARY.

1. SENATOR ADLAI E. STEVENSON, II, ACCOMPANIED BY PROFESSOR JOHN LEWIS OF STANFORD AND EMBASSY E/C COUNSELOR, CALLED ON MINISTER OF GASS INDUSTRY SABIT ORUDZHEV JANUARY 16. ORUDZHEV RECEIVED SENATOR WARMLY AND APPEARED TO GIVE FRANK COMMENTARY ON QUESTIONS WHICH WERE POSED, ILLUSTRATING SOME ANSWERS BY REFERENCE TO LARGE GEOLOGICAL TRANSPORTATION WALL MAP OF USSR.

2. PRODUCTION AND FORECAST. ORUDZHEV VOLUNTEERED THAT USSR HAD PRODUCED 346 BCM OF GAS IN 1977 (COMMENT: FOUR BCM ABOVE PLAN). IF HOPES FOR NEW GAS DISCOVERIES CAME TRUE, HE SAID, USSR WOULD INCREASE GAS OUTPUT WELL INTO 1990'S. HE FORECAST THAT 1980 TARGET OF 435 BCM WOULD BE MET, AND HE FOUND RANGE OF ESTIMATES FOR "THE 1990'S" OF 700-800 BCM REALISTIC. "ONLY HALF" OF USSR'S 22 MILLION SQUARE KILOMETERS HAVE A GEOLOGIC STRUCTURE PROMISING FOR GAS AND

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OIL, HE EXPLAINED. AMONG PRIMARY SOVIET GAS FIELDS HE MENTIONED ONLY MEDVEZHYE AND URENGOY AND SAID THAT WORK HAD NOT YET BEGUN ON CONTINENTAL SHELF.

3. CONSUMPTION. ORUDZHEV FREELY ACKNOWLEDGED THAT GAS AND OIL SUPPLIED OF USSR WERE "SIZEABLE BUT NOT UNLIMITED." HE HAD "MANY ADVISERS," HE SAID, (MOST OF THEM APPARENTLY VOLUNTEERS) TELLING HIM EITHER THAT GAS WOULD LAST FOR YEARS, OR PRECISELY THE CONTRARY. IT WAS CLEARLY NECESSARY TO THINK NOW ABOUT ECONOMIZING ON THE USE OF GAS. AT PRESENT GAS IS BEING WASTED IN HEATING, WHERE IT RETURNS A VALUE OF ONLY THREE RUBLES PER 1,000 CUBIC METERS, WHEREAS ITS ALTERNATIVE VALUE IN PRODUCTION OF CHEMICALS WOULD BE FIFTY RUBLES. WITH 52 MILLION SOVIET APARTMENTS USING GAS AT AN AVERAGE COST OF 80 KOPEKS PER MONTH (ABOUT \$1.10), THE USSR OBVIOUSLY COULD NOT GO FURTHER LIKE THAT, ORUDZHEV SAID. WHEN ASKED WHY SOVIETS DO NOT RAISE PRICE OF GAS TO CONSUMERS, HOWEVER, ORUDZHEV SAID THIS WAS PART OF A COMPLEX INVOLVING NATIONAL WELFARE AND COULD NOT BE SOLVED SO SIMPLY. HE PREFERRED TO "EDUCATE AND PERSUADE." WHEREAS BEST SOURCE OF ENERGY FOR OUTPUT OF ELECTRICITY WOULD, IN HIS VIEW, BE COAL OR ATOMIC ENERGY, IT WOULD

UNFORTUNATELY BE NECESSARY TO USE GAS TO PRODUCE ELECTRICITY  
FOR ANOTHER FIVE TO TEN YEARS, ACCORDING TO ORUDZHEV.

4. YAKUTSK PROJECT. NOTING THAT YAKUTSK WAS UNDER  
RESPONSIBILITY OF MINISTRY OF GEOLOGY (COMMENT: WHICH  
CONDUCTS EXPLORATION IN AREAS NOT ALREADY PRODUCING),  
ORUDZHEV MADE SEVERAL COMMENTS WHICH CONFLICT WITH OUR  
ASSUMPTIONS ABOUT THIS PROJECT. IF A SIZEABLE AMOUNT OF  
GAS WERE FOUND THERE, HE SAID, IT WOULD BE DEVELOPED FOR  
EXPORT, SINCE THERE WAS NOT MUCH INDUSTRY IN THE YAKUTSK  
AREA (COMMENT: OTHERS HAVE SAID THAT IT WOULD BE USED  
FOR DOMESTIC CONSUMPTION AS WELL ALONG THE TRACK OF THE  
BAIKAL-AMUR-MAGISTRAL RAILROAD NOW UNDER CONSTRUCTION).

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AMEMBASSY PARIS  
USDOC WASHDC

C O N F I D E N T I A L SECTION 2 OF 2 MOSCOW 0937

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THUS FAR, THE ESTABLISHED RESERVES ARE NOT VERY BIG, BUT IF TWO OR THREE TCM WERE FOUND, THE SOVIETS WOULD THINK OF GOING AHEAD. ASKED IF THIS FIGURE REPRESENTED CHANGE FROM OUR UNDERSTANDING THAT ONE TCM WOULD JUSTIFY PRODUCTION, ORUDZHEV EXPLAINED THAT IT WAS ESSENTIAL TO FIND ENOUGH GAS FOR ORDERLY PRODUCTION OVER AT LEAST FIFTEEN YEARS, IN ORDER TO JUSTIFY THE INVESTMENT. FOR THIS 800 BCM WOULD SUFFICE. SEVERAL FIELDS OF SOME 125 BCM HAD ALREADY BEEN FOUND IN THE AREA, BUT THEY ARE ABOUT 500  
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KILOMETERS APART. ORUDZHEV REPEATED THAT ONCE THE REQUISITE 800 BMC HAD BEEN FOUND, IT WOULD JUSTIFY PRODUCTION. HOWEVER, HE ADDED, SOVIETS ARE SEEKING TO LOCATE A CONCENTRATED GAS FIELD. (COMMENT: FROM THE FOREGOING WE DEDUCE THAT THE ONE TCM FIGURES MAY STILL BE VALID BUT THAT IT MUST BE CONCENTRATED AND THAT SUCH A CONCENTRATION OF NATURAL GAS HAS NOT YET BEEN LOCATED IN YAKUTSK.) AS KED BY LEWIS IF USSR WOULD GO AHEAD WITHOUT US SUPPORT, ORUDZHEV MENTIONED PARTICIPATION OF EL PASO GAS IN EXPLORATIONS TO DATE BUT SAID THAT THE PROBLEMS OF DISTANCE AND THE DIFFICULTIES OF LAYING A PIPELINE AT SUCH A DISTANCE RESTRICTED HIS ABILITY TO RESPOND TO THIS QUESTION. WHEN ASKED BY SENATOR STEVENSON ABOUT PROSPECTS FOR "COOPERATION" IN GAS PRODUCTION, ORUDZHEV MENTIONED THAT HIS MINISTRY ALONE HAD PURCHASED 400 MILLION RUBLES WORTH OF EQUIPMENT FROM US FIRMS IN RECENT YEARS,BUT HE COULD NOT ENVISION COOPERATION ALONG THE LINES OF THE ARMAND HAMMER AMMONIA TRANSACTION UNTIL SOME NEW SUFFICIENT GAS DEPOSITS WERE DISCOVERED - "THEN WE CAN TALK," HE CONLUDED. HOWEVER, HE ALSO MADE CLEAR THAT US COOPERATION WAS WELCOME.

5. NORTH STAR PROJECT. IN RESPONSE TO THE SENATOR'S INQUIRY, ORUDZHEV SAID THAT DISCUSSION OF NORTH STAR HAD LOST TEMPO DUE TO VARIOUS CAUSES, INCLUDING COST AND THE POSSIBILITY OF AN INVESTMENT OF LOW PROFITABILITY. DISCUSSION OF THE PROJECT, HE SAID, HAD BEEN "ONE-SIDED" AND LARGELY ON PAPER.

6.OIL PRODUCTION. ORUDZHEV DID NOT COMMENT DIRECTLY ON OIL PRODUCTION ESTIMATE OF CIA, WHICH SENATOR STEVENSON CITED, BUT NEITHER DID HE SEEK TO REFUTE IT OR SUGGEST, AS DID GOSBANK CHAIRMAN ALKHIMOV (RFETEL) THAT IT WAS NOT SERIOUS. HE FIRST

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MENTIONED PROBLEM INDIRECTLY, STATING THAT GAS INDUSTRY IS NOW FACING SAME PROBLEM AS THAT OF OIL, (THAT SUPPLIES ARE NOT "UNLIMITED.") SUBSEQUENTLY, HE SAID QUESTION OF WHETHER USSR WILL BE AN IMPORTER OR AN EXPORTER OF OIL IN THE FUTURE DEPENDS ON WHETHER IT FINDS FURTHER BIG OIL DEPOSITS. HE MADE NO PREDICTIONS ON THIS SCORE.

7. BIOGRAPHIC. ORUDZHEV, WHO SPOKE A HEAVILY ACCENTED RUSSIAN, REFERRED WITH EVIDENT PRIDE TO HIS AZERBAIJANI ORIGINS (BAKU). HE OFFERED A "SPECIAL BRAND OF TEA" WHICH HE SAID WAS PREPARED BY AN AZERBAIJANI, AND HE CONFIDED THAT ALTHOUGH HE HAD LONG LIVED IN MOSCOW, HE STILL FELT IN AN ADVANTAGEIOUS POSITION VIS-A-VIS HIS RUSSIAN MINISTERIAL COLLEAGUES, WHO SINGLED HIM OUT FOR SPECIAL TREATMENT DUE TO HIS "BAKU"ORIGIN."

8. COMMENT: WE BELIEVE THAT THIS CONVERSATION, ALTHOUGH PINCHED BETWEEN CALLS BY THE SENATOR ON MINISTER OF FOREIGN TRADE PATOLICHEV AND HIS PRESS CONFERENCE, WAS A HIGHLY PRODUCTIVE ONE. ORUDZHEV WAS COY ABOUT THE SENATOR'S EXPRESSION OF HOPE THAT HE WILL VISIT THE U.S., STATING THAT HE WAS AS POPULAR AS A HOCKEY GOALEE IN THE WINTER IN MOSCOW (SENATOR STEVENSON QUIPPED: "AS LONG AS THE GAS HOLDS OUT"; THE MINISTER RESPONDED THAT ONLY HIS SUCCESSOR WOULD BE AFFECTED BY THAT). SINCE HIS MINISTRY IS NEITHER DOING THE EXPLORATION NOR CONDUCTING THE NEGOTIATIONS ABOUT THE YAKUTSK PROJECT, HIS COMMENTS ON THAT SUBJECT MAY NOT BE THE LAST WORD, BUT BOTH HIS CANDOR AND HIS OBVIOUS KNOWLEDGE OF THE GENERAL SUBJECT SUGGEST THAT HIS WORDS OUGHT TO BE READ AT LEAST AS A NOTE OF CAUTION ABOUT HOW RAPIDLY THE YAKUTSK NATURAL GAS AREA MAY BE READY FOR PRODUCTIVE EXPLOITATION.

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## Message Attributes

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